

Committee(s): Finance Committee	Date(s): 23 July 2019
Subject: Provisional Outturn 2018-19	Public
Report of: The Chamberlain	For Information
Report author: Philip Gregory, Deputy Director, Financial Services	

Summary

The 2018-19 provisional net expenditure outturn position of £151.9m represents a better than budget position of £36.6m comprising £7.9m and £28.7m respectively for City Fund and City's Cash and a balanced position for Bridge House Estates. Further detailed analyses and explanations will be included in revenue outturns to the relevant service committees.

Of the £36.6m, some £23.7m (65%) relates to timing differences – mainly the costs of projects/initiatives that have been re-phased into 2019-20. The final benefit to reserves will be the £12.9m balance. This includes budgets agreed for carry forward following assessment by the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub Committee. Requests for carry forward of £6.0m have been approved.

The 2018-19 provisional outturn position shows continued caution being exercised in the budget setting and forecasting of some income budgets. There are also a number of centrally funded projects that have suffered from slippage from one year to the next (including a £25m payment to Crossrail). The ongoing implications of 2018-19 variances will be taken into account in developing future financial plans and the development of the medium-term financial strategy especially with regard to the fundamental review.

The outturn detailed in this report is subject to external audit by BDO. The final audited Bridge House Estates, City Fund and Pension Fund accounts will be presented to the Audit and Risk Management and Finance Committees in July. The final audited City's Cash and various Trust financial statements will be presented to those Committees in autumn.

Recommendation(s)

Members are asked to:

- Note the provisional outturn for the year ended 31 March 2019.

Main Report

Background

1. The original revenue budget was set by Court of Common Council and has been monitored throughout the year. The final approved budget for 2018-19 following carry-forward requests and in-year budget adjustments was £188.4m.
2. Further detailed analyses and explanations of the outturn position will be included in revenue outturn reports to the relevant service committees. This report summarises the overall revenue budget outturn for the City Corporation as a whole.

Current Position

3. The net expenditure outturn position of £151.9m represents a better than budget position of £36.6m, a 19.4% variance on the final budget of £188.4m. This is summarised in Table 1 below comparing the net budget and provisional outturn for City Fund, City's Cash and Bridge House Estates.
4. The outturn detailed in this report is still subject to external audit by BDO. The final audited Bridge House Estates, City Fund and Pension Fund accounts will be presented to the Audit and Risk Management and Finance Committees in July. The final audited City's Cash and various Trust financial statements will be presented to those Committees in autumn.

Table 1: City Corporation summary outturn 2018-19

2018-19 Budget v Outturn - By Fund					
<i>Net (Expenditure)/Income</i>					
	Budget Net	Provisional Outturn	Variation Better/(Worse)		
			Total	Local Risk	Central Risk/ Support Services
	£m	£m	£m	£m	£m
City Fund	(121.9)	(114.0)	7.9	2.3	5.8
City's Cash	(54.7)	(26.0)	28.7	2.4	26.0
Bridge House Estates	(11.8)	(11.9)	0.0	0.8	(0.9)
Total	(188.4)	(151.9)	36.6	5.5	30.9

5. Within the £36.6m budget variation are the costs of projects and schemes that have been re-phased into 2019-20 and other items over and above service related underspends. Included within this outturn position is a £9.5m overspend on Supplementary Revenue Projects where project expenditure has not qualified as capital expenditure (the overall capital outturn was a £46.2m underspend. The capital outturn position is the subject of another paper on the committee's agenda.
6. Eliminating these items from the provisional outturn results in a £12.9m balance which will be a benefit to reserves (compared to £25.8m last year). This is illustrated in the table below.

Table 2: Identification of underlying underspend in outturn position

Provisional outturn	36.6
Supplementary Revenue Projects	9.5
Crossrail payment deferral	(25.0)
Central contingencies not required	(2.2)
Approved Carry Forward requests	(6.0)
Underlying underspend	12.9

7. The underlying underspend position above includes budgets agreed for carry forward following assessment by the Chamberlain in consultation with the Chairman and Deputy Chairman of Resource Allocation Sub Committee. Requests for carry forward totalling £6.0m (£1.3m local risk and £4.7m central risk) were approved. Unspent contingency fund balances of £2.2m have been carried forward including the £1.8m balance of the Brexit Contingency Fund.
8. Throughout the year forecast expenditure is monitored by Chief Officers to ensure that expenditure and income received is in line with budget and to highlight variances as they occur. The outturn position for the cash limited budget for each department by fund is shown at Appendix 1.
9. The provisional outturn has been compared to the local risk forecast as at 31 Dec 2018. This shows significant movements between the forecast produced in December and the final outturn shown in the table below. Overall, the local risk outturn improved from the position reported in December by £2.4m (1.1%).

Table 3: Variance in forecast between Dec 2018 and Outturn

Chief Officer	Variance between December forecast and Outturn Better/(Worse)	% of total final budget
Chamberlain	507	2.1%
City Surveyor*	462	1.1%
Commissioner of Police**	56	0.1%
Comptroller and City Solicitor	(176)	(4.7%)
Director of the Built Environment	(122)	(0.7%)
Director of Community & Children's Services	96	0.8%
Director of Markets & Consumer Protection	67	1.6%
Director of Open Spaces	347	3.3%
Head, City of London School	(45)	(1.1%)
Headmaster, City of London Freeman's School	(31)	(3.3%)
Headmistress, City of London School for Girls	(110)	500%
Managing Director, Barbican Centre	(42)	(21.9%)
Principal, Guildhall School of Music & Drama	271	1.4%
Private Secretary & Chief of Staff to the Lord Mayor	(23)	(0.4%)
Remembrancer	218	23.9%
Town Clerk	969	4.3%
OVERALL:	2,444	1.1%

10. The Chamberlain continues to take steps to improve the quality of financial management information across the City Corporation. Increased utilisation of our Oracle system to collect and report on data is helping in this regard. In addition, support from each department will continue to be required to ensure that realistic forecasts are produced on a regular basis throughout 2019-20.
11. Where budget lines perform consistently better or worse than budget on a year on year basis budget holders will be challenged to amend these as part of the budget setting process for 2020-21. Where fundamental review proposals are implemented in 2020-21 the budgets will be amended accordingly.
12. Whilst it is recognised that some budget lines can be volatile, e.g. trading income, a balance must be struck between prudence and ambition. Service budgets should not include elements of contingency as contingency funds are available from Finance Committee should they be required during the year.
13. The following tables show each fund in turn and compares net budget with outturn position by committee, with summaries of the main variances set out below each table. More detailed analyses and explanations will be included in outturn reports to the various service committees.

CITY FUND

Table 4: City Fund summary outturn 2018-19 by committee

2018/19 Budget v Outturn - City Fund Summary by Committee						
Net (Expenditure)/Income	Budget Net	Provisional Outturn	Variation Better/(Worse)			
			Total	Local Risk	Central Risk	Support Services
	£m	£m	£m	£m	£m	£m
Barbican Centre	(29.8)	(29.3)	0.5	0.7	0.0	(0.2)
Barbican Residential	(3.3)	(3.4)	(0.1)	0.0	0.0	0.0
Community and Children's Services	(13.8)	(13.7)	0.1	0.1	0.0	0.0
Culture Heritage and Libraries	(26.8)	(30.8)	(4.0)	0.0	(3.7)	(0.3)
Finance	23.2	30.6	7.4	0.1	6.4	0.9
Licensing	(0.1)	(0.2)	(0.1)	0.0	0.0	(0.1)
Markets	0.8	0.9	0.1	0.0	0.1	0.0
Open Spaces	(1.8)	(1.7)	0.1	0.1	0.0	0.0
Planning and Transportation	(15.4)	(15.1)	0.3	0.3	0.1	(0.1)
Police	(74.1)	(74.1)	0.0	(1.1)	1.3	(0.2)
Policy and Resources	(7.8)	(7.0)	0.8	0.7	0.5	(0.4)
Port Health and Environmental Services	(14.7)	(14.1)	0.6	0.4	0.1	0.1
Property Investment Board	41.7	43.9	2.2	1.0	1.5	(0.2)
City Fund requirement to be met from government grants, local taxation and transfers to/(from) reserves.	(121.9)	(114.0)	7.9	2.3	6.3	(0.5)

14. The net better than budget position of £7.9m includes the following significant variances:

£m Driver

	£m	Driver
• Cash limited local risk budgets:		
○ Reduction in operating costs across services, including employee costs	1.0	Non-Spend
○ Increased income in Port Health from Animal Reception Centre, Cemetery and Crematorium	0.4	Higher Income
○ Repairs & Maintenance	1.1	Non-Spend
• Central Contingencies not required in 2018-19	2.6	Non-spend
• Investment Income	1.1	Higher Income
• Repairs & Maintenance (AWP/CWP)	3.5	Slippage
• Property Investment Board income	1.4	Higher Income
• On-Street Parking income	3.7	Higher Income

15. Where the driver above is 'non-spend' this may be indicative of careful management throughout the year. An underspend on operating costs of 0.3% of the total City Fund budget demonstrates that services are being managed prudently within budget.

16. Income budgets require a focus on more realistic forecasting and a more optimistic view being taken. It is clear that budgets are set with prudence in mind although care should be taken to ensure that assumptions are not over-cautious in the forthcoming year. Central risk budgets, including many income budgets, are being reviewed as part of the fundamental review and will be adjusted from 2020-21 where appropriate.

CITY'S CASH

Table 5: City's Cash summary outturn 2018-19 by committee

Net (Expenditure)/Income	Budget Net	Outturn	Variation Better/(Worse)			
			Total	Local Risk	Central Risk	Support Services
			£m	£m	£m	£m
Culture, Heritage & Libraries	(0.4)	(0.4)	0.0	0.3	(0.3)	0.0
Education Board	(2.4)	(2.3)	0.1	0.0	0.0	0.0
Finance	(42.6)	(22.2)	20.4	0.8	17.8	1.8
G. P. Committee of Aldermen	(4.4)	(4.2)	0.2	0.1	0.1	0.0
Guildhall School of Music and Drama	(11.7)	(11.2)	0.5	0.3	0.2	(0.1)
Markets	(1.0)	(0.3)	0.7	0.5	0.1	0.1
Open Spaces :-	0.0	0.0	0.0	0.0	0.0	0.0
Open Spaces Directorate	0.0	(0.2)	(0.2)	(0.2)	0.0	0.0
Epping Forest and Commons	(8.6)	(7.8)	0.8	0.6	0.1	0.1
Hampstead, Queen's Park and Highgate	(7.7)	(7.5)	0.2	0.3	0.0	0.0
Bunhill Fields	(0.4)	(0.4)	0.0	0.0	0.0	0.0
West Ham Park	(1.4)	(1.2)	0.2	0.1	0.1	0.0
Policy and Resources	(18.7)	(15.5)	3.2	0.0	3.2	(0.1)
Property Investment Board	48.8	51.3	2.5	(0.3)	3.3	(0.5)
Schools :-						
City of London School	(1.7)	(1.6)	0.1	0.0	0.0	0.0
City of London Freeman's School	(1.8)	(1.8)	0.0	(0.1)	0.0	0.1
City of London School for Girls	(0.7)	(0.7)	0.0	0.0	0.0	0.0
(Deficit)/Surplus (from)/to reserves	(54.7)	(26.0)	28.7	2.4	24.6	1.4

17. The net better than budget position of £28.7m includes the following significant variances:

	£m	Driver
• Cash limited local risk budgets:		
○ Reduction in operating costs across services, including employee costs	0.6	Non-Spend
○ Repairs & Maintenance	2.8	Non-Spend
• Central Contingencies not required in 2018-19	3.5	Non-Spend
• Investment Income	(0.1)	Lower Income
• Repairs & Maintenance (AWP/CWP)	2.8	Slippage
• Catering	0.3	Non-Spend
• Property Investment Board income	2.6	Higher Income
• Repairs & Maintenance (AWP/CWP)	2.8	Slippage
• Crossrail contribution	25.0	Slippage

18. The Central Risk Budget for 2018-19 included a £25m payment to Crossrail. HM Government have not invoiced the City Corporation for this contribution and it is expected that the request will be forthcoming in a later year. The 2019-20 budget includes a £25m payment for Crossrail and it is expected that the 2018-19 payment will be rephased to 2020-21. The medium-term financial strategy includes both the payment of Crossrail contributions and a corresponding drawdown from investments. This will be updated to reflect the change in the phasing of these payments.

BRIDGE HOUSE ESTATES

Table 6: Bridge House Estates summary outturn 2018-19 by committee

2018/19 Budget v Outturn - Bridge House Estates Summary by Committee						
Net (Expenditure)/Income	Budget Net	Outturn	Variation Better/(Worse)			
			Total	Local Risk	Central Risk	Support Services
	£m	£m	£m	£m	£m	£m
The City Bridge Trust	(23.5)	(23.0)	0.5	0.4	0.1	(0.1)
Culture, Heritage and Libraries	0.5	0.9	0.4	0.4	0.0	0.1
Finance	(3.8)	(5.2)	(1.4)	0.0	(1.4)	0.0
Planning and Transportation	(4.9)	(4.9)	0.0	0.0	0.0	(0.0)
Property Investment Board	19.9	20.4	0.5	0.0	1.0	(0.6)
(Deficit)/Surplus (from)/to reserves	(11.8)	(11.8)	0.0	0.8	(0.2)	(0.6)

19. The balanced outturn position includes the following significant variances:

	£m	Driver
• Cash limited local risk budgets:		
○ Increase in operating costs across services, including employee costs	0.2	Higher Spend
○ Tower Bridge Tourism	0.7	Higher Income
• Thames Bridges repairs, maintenance and major works	0.7	Slippage
• Interest received	0.3	Higher Income

	£m	Driver
• Dividend Income	1.8	Lower Income
• Property Investment Board income	0.9	Higher Income

20. The City Bridge Trust currently awards grants to charitable causes in London (£23m in 2018-19) made under the Bridging Divides scheme. The grant awards must demonstrate a contribution to reducing inequality and enabling representation within the following programmes: connecting the capital, positive transitions and advice & support.

21. Income from Tower Bridge Tourism and Investment Property Income was better than expected in 2018-19, although dividend income was lower than expected. Forecasts during 2019-20 and budgets for 2020-21 will be assessed to ensure that these are amended where appropriate.

Conclusion

22. The 2018-19 provisional outturn position shows particular caution being exercised in the budget setting and forecasting of some income budgets. There are also a number of projects that are funded centrally that have suffered from slippage from one financial year into the next, in particular the £25m payment to Crossrail.

23. The underlying underspend of £12.9m is significantly lower than in previous years and local risk budgets are being carefully managed within the context of the 'flat cash' approach to inflation and efficiency.

24. The fundamental review will offer a further opportunity to review budgets, particularly income budgets and corporate contingencies to ensure that each fund is being managed effectively.

Appendices

- Appendix 1 – Outturn position by department

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Original Budget £'000	Chief Officer Cash Limited Budgets	Final Budget £'000	Provisional Outturn £'000
	City Fund		
(1,951)	Chamberlain	(1,919)	(1,546)
(12,972)	City Surveyor	(9,302)	(7,251)
(15,768)	Director of the Built Environmental	(16,631)	(16,439)
(10,662)	Director of Community and Children's Services	(11,368)	(11,207)
(2,253)	Director of Markets and Consumer Protection	(2,662)	(2,663)
606	Director of Open Spaces	573	779
(428)	Executive Director Mansion House and Old Bailey	(589)	(711)
(15,954)	Managing Director Barbican Centre	(18,793)	(18,916)
(12,274)	Town Clerk	(13,392)	(12,853)
(71,656)	Total City Fund (excluding Police)	(74,083)	(70,807)
	City's Cash		
(97)	Chamberlain	(94)	(88)
(20,551)	City Surveyor	(21,955)	(19,577)
(595)	Director of Community and Children's Services	(613)	(567)
(657)	Director of Markets and Consumer Protection	(1,623)	(1,355)
(10,825)	Director of Open Spaces	(10,872)	(11,128)
(3,193)	Executive Director Mansion House and Old Bailey	(3,392)	(3,324)
(970)	Headmaster of the City of London Boys School	(947)	(978)
(16)	Headmaster City of London Freemen's School	22	(88)
(209)	Headmistress City of London School for Girls	(192)	(234)
(6,100)	Principal Guildhall School of Music and Drama	(6,386)	(6,386)
(1,189)	Remembrancer	(1,226)	(1,210)
(50)	Town Clerk	(116)	(50)
(44,452)	Total City's Cash	(47,394)	(44,985)
	Bridge House Estates		
(2,488)	City Surveyor	(2,450)	(2,452)
(257)	Director of the Built Environmental	(257)	(257)
(101)	Director of Open Spaces	(349)	4
(2,153)	Town Clerk	(2,232)	(1,846)
(4,999)	Total Bridge House Estates	(5,288)	(4,551)
	Guildhall Admin		
(21,197)	Chamberlain	(22,564)	(22,303)
(9,371)	City Surveyor	(8,658)	(9,277)
(3,263)	Comptroller and City Solicitor	(3,714)	(3,709)
342	Remembrancer	314	1,020
(6,529)	Town Clerk	(7,043)	(6,875)
(40,018)	Total Guildhall Administration	(41,665)	(41,144)
(161,125)	Grand Totals (excluding Police)	(168,430)	(161,487)
(60,852)	Commissioner of Police	(63,296)	(64,396)
(221,977)	Grand Totals	(231,726)	(225,883)